

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 IO-10 AGR-05 OPIC-03 EUR-12 NEA-10 EA-06 /135 W
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P 061715Z JUN 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 3512

C O N F I D E N T I A L SANTIAGO 3732

EO 11652: GDS

TAGS: EFIN, ENRG, CI

SUBJECT: SECRETARY'S IEA/OECD PROPOSALS

REF: A) STATE 124719; B) STATE 126216; C) SANTIAGO 3589

1. SUMMARY: TOP CHILEAN ECONOMIC OFFICIALS REACT WARMLY TO SECRETARY'S IEA/OECD PROPOSALS AND INDICATE CHILE WILL GIVE THEM CONSTRUCTIVE THOUGH NOT COMPLETELY UNCRITICAL SUPPORT. FINANCE MINISTER EXPRESSES CONCERN THAT IN MOBILIZING RESOURCES TO AID MOST SEVERELY AFFECTED LDC'S, WORLD MAY FORGET SERIOUS PROBLEMS CONFRONTED BY MIDDLE-INCOME LDCS, SUCH AS CHILE; URGES SPECIAL REGARD FOR LATTER AS WELL. CHILEANS WOULD LIKE MEMBERSHIP ON ALL THREE COMMISSIONS US PROPOSES SECOND IEA PREPCOM CREATE, BUT WE HAVE IMPRESSION THEY MOST INTERESTED IN RAW MATERIALS COMMISSION BECAUSE OF THEIR COPPER PROBLEM. FORMAL RESPONSE TO OUR DEMARCHES PROMISED FOR JUNE 9. END SUMMARY.

2. AMBASSADOR HOSTED LUNCHEON JUNE 5 FOR SMALL GROUP GOC OFFICIALS (INCLUDING FINANCE AND ECONOMIC AND PLANNING MINISTERS AND FONOFF ECONOMIC ADVISER) TO DISCUSS
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SECRETARY'S IEA/OECD PROPOSALS.

3. CHILEANS EXPRESSED GENERAL SUPPORT FOR US INITIATIVES AND ASSURED US THAT GOC WOULD PLAY ROLE OF CONSTRUCTIVE SUPPORT OF US POSITION IN ANY RENEWED DIALOGUE BETWEEN DEVELOPING AND DEVELOPED NATIONS. FORMAL RESPONSE TO OUR DEMARCHES WAS PROMISED ON JUNE 9.

4. ANTICIPATING MORE DETAILED REACTION TO FOLLOW, MINISTER OF FINANCE CAUAS SAID THAT GOC WHOLEHEARTEDLY SUPPORTS CONCEPT OF COMMISSIONS TO CONSIDER ENERGY, RAW MATERIALS, AND THE PROBLEMS OF THE MOST SERIOUSLY AFFECTED NATIONS AND WOULD LIKE MEMBERSHIP IN ALL THREE. (WE REALIZE, AS UNDOUBTEDLY THE CHILEANS THEMSELVES RECOGNIZE, THAT THIS UNDOUBTEDLY NOT FEASIBLE.) PITCH CAUAS MADE WAS THAT CHILE VERY SERIOUSLY AFFECTED IN ALL THREE RESPECTS: A) AS COUNTRY HIGHLY DEPENDENT ON ENERGY IMPORTS, CHILE IS MUCH AFFECTED BY ENERGY POLICIES OF OPEC AND DEVELOPED COUNTRIES; B) CHILE IS DEPENDENT ON COPPER FOR 70-80 PERCENT OF FOREIGN EXCHANGE AND ON OTHER RAW MATERIALS FOR SUBSTANTIAL PART OF REMAINING FOREIGN INCOME; C) SEVERELY DEPRESSED COPPER AND, MORE RECENTLY, CELLULOSE (CHILE'S SECOND MOST IMPORTANT EXPORT) PRICES, WHEN COMBINED WITH TREMENDOUS BOOST IN ENERGY IMPORT BILL, GIVE CHILE FRONT RANKING AS AN MSA. IF THEY WERE ASKED ON WHICH SINGLE COMMISSION THEY MOST DESIRED TO SERVE, WE BELIEVE CHILE WOULD SELECT THE RAW MATERIALS COMMISSION.

5. CAUAS WAS PARTICULARLY EMPHATIC THAT, IN GENERAL, MIDDLE-INCOME COUNTRIES SHOULD RECEIVE GREATER CONSIDERATION IN EXTERNAL GAP FINANCING SCHEMES. LOW INCOME COUNTRIES (MSAS) SUCH AS BANGLADESH AND INDIA, CAUAS NOTED, HAVE ACCESS TO GRANTS AND CONCESSIONAL LENDING TO PULL THEM THROUGH DIFFICULT BOP SITUATIONS. HIGH GROWTH LDCS (CAUAS APPARENTLY HAVING IN MIND PARTICULARLY THOSE DEVELOPING COUNTRIES ENJOYING ACCESS TO CAPITAL MARKETS IN DEVELOPED COUNTRIES) CAN MANAGE THEIR FINANCIAL NEEDS THROUGH COMMERCIAL SOURCES. COUNTRIES SUCH AS CHILE, THOUGH ALSO UNDER TREMENDOUS FINANCIAL STRAINS AS CONSEQUENCE OF QUADRUPLD OIL PRICES AND DEPRESSED PRICES FOR THEIR EXPORTS, HAVE TO OBTAIN SUPPORT ON COMMERCIAL OR NEAR-COMMERCIAL TERMS; IN ADDITION THEY ARE CLOSELY SCRUTINIZED AS TO BOP CORRECTIVE MEASURES.

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6. WE FIND THIS ANALYSIS INTERESTING AND SUGGEST DEPT GIVE IT FULL CONSIDERATION. IT APPEARS TO MAKE A REAL POINT. IN ADDITION, IT WOULD SEEM TO CONTRIBUTE TO A WEAKENING OF THE UNNATURAL SOLIDARITY WHICH HAS ENABLED THE NON-ALIGNED GROUP TO OVERRIDE SO CAVALIERLY THE DEVELOPED COUNTRIES' POINTS OF VIEW.

7. FORMAL GOC RESPONSE WILL BE FORWARDED UPON RECEIPT.

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